

Message Text

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ORIGIN EB-07

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NEA-10 OIC-02 SS-15 SP-02 L-03 COME-00 STR-04 TRSE-00

CIAE-00 DODE-00 PM-04 H-02 INR-07 NSAE-00 NSC-05

PA-02 PRS-01 USIA-15 XMB-04 INT-05 GSA-02 OMB-01

ABF-01 IGA-02 AGR-10 OES-05 ITC-01 /164 R

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FM SECSTATE WASHDC

TO ALL DIPLOMATIC POSTS

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TAGS: EGEN

SUBJECT: FOLLOW-UP TO THE SECRETARY'S INITIATIVES AT UN
7TH SPECIAL SESSION

REF: (A) STATE 012373; (B) STATE 041392; (C) AIRGRAM
1285, MARCH 4.

1. THE 7TH SPECIAL SESSION OF UNGA WAS AN IMPORTANT
TURNING POINT IN RELATIONS BETWEEN LDCS AND INDUSTRIAL
DEMOCRACIES, PARTICULARLY US. SECRETARY'S SPEECH ON
SEPTEMBER 1 WAS A KEY ELEMENT IN THE TURN AROUND. SPEECH
PUT FORWARD A BROAD RANGE OF PRACTICAL PROPOSALS TO
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STABILIZE LDC EXPORT EARNINGS, ACCELERATE LDC GROWTH,

INCREASE ACCESS TO MARKETS, IMPROVE CONDITIONS OF TRADE AND INVESTMENT IN KEY COMMODITIES, AND AID THE POOREST COUNTRIES. IN THE SIX MONTHS SINCE THE SPEECH, WE HAVE BEEN ACTIVELY PURSUING THESE PROPOSALS IN ALL APPROPRIATE FORUMS AND HAVE ACHIEVED MAJOR SUCCESSES IN SOME--MOST NOTABLY IN BALANCE OF PAYMENTS FINANCING TO ENABLE LDCS TO MAINTAIN DEVELOPMENT PROGRAMS DESPITE WORLD RECESSION--AND A SUBSTANTIAL START IN ALL OTHERS.

2. THE STATUS OF THE SECRETARY'S PROPOSALS, AS OF MARCH 1, IS SUMMARIZED IN AN ELEVEN PAGE TABLE WHICH WAS AIRGRAMMED

MARCH 4 TO ALL POSTS. (SEE REF C). THE TABLE OUTLINES FOR EACH INITIATIVE THE ACTIONS TAKEN TO DATE AND THE NEXT PLANNED ACTION. WE WILL AIRGRAM SUBSEQUENT EDITIONS OF THE TABLE TO KEEP POSTS UP TO DATE. THIS MESSAGE GIVES HIGHLIGHTS.

3. BALANCE OF PAYMENTS FINANCING. INTERNATIONAL MONETARY FUND, WITH SUPPORT OF ITS DEVELOPING AS WELL AS INDUSTRIALIZED MEMBERS, HAS ALREADY MOVED ON THREE OF OUR KEY INITIATIVES (SEE REF A):

--SUBSTANTIAL LIBERALIZATION OF ITS FACILITY TO COMPENSATE LDCS FOR SHORTFALLS IN THEIR EXPORT EARNINGS FOR REASONS BEYOND THEIR CONTROL. THIS WAS THE MAIN ELEMENT OF OUR PROPOSAL FOR A DEVELOPMENT SECURITY FACILITY.

--ESTABLISHMENT OF A TRUST FUND THAT WOULD USE PROFITS FROM SALE OF A PORTION OF IMF GOLD FOR CONCESSIONAL BALANCE OF PAYMENTS ASSISTANCE TO POOREST LDCS, THOSE WITH PER CAPITA INCOME NOT EXCEEDING 300 SDR (ABOUT DOLLARS 360). GOLD SALES WILL BEGIN SHORTLY.

--INCREASED ACCESS TO IMF CREDIT, FROM 100 TO 145 PERCENT OF QUOTA, PENDING ENLARGEMENT OF IMF QUOTAS.

TAKEN TOGETHER THESE MEASURES WILL MAKE AVAILABLE TO NON-OIL LDCS ABOUT DOLLARS FIVE TO SIX BILLION IN POTENTIAL ADDITIONAL ACCESS TO IMF RESOURCES OVER THE NEXT UNCLASSIFIED

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TWO YEARS.

4. COMMODITIES. WE ARE PURSUING OUR CASE-BY-CASE APPROACH TO COMMODITY AGREEMENTS. THE PRESIDENT HAS APPROVED US MEMBERSHIP IN THE INTERNATIONAL TIN AGREEMENT AND IN THE INTERNATIONAL COFFEE AGREEMENT, SUBJECT TO SENATE ADVICE AND CONSENT. WE DO NOT PROPOSE TO SIGN THE COCOA AGREEMENT IN ITS PRESENT FORM; IT CONTAINS

INSUFFICIENT PROTECTION FOR CONSUMERS AND ITS PRICE PROVISIONS ARE TOO RIGID. WE ARE ASKING FOR RENEGOTIATION. WE WILL PARTICIPATE IN NEGOTIATIONS ON A SUGAR AGREEMENT, WHICH IS SCHEDULED FOR THIS FALL. WE PROPOSED THAT THERE BE A PRODUCER-CONSUMER FORUM FOR EACH KEY COMMODITY TO CONSIDER HOW TO PROMOTE THE EFFICIENCY, GROWTH AND STABILITY OF ITS MARKET. NO SUCH FORUM FOR COPPER NOW EXISTS. WE HAVE ACCORDINGLY AGREED TO ATTEND A PRODUCER-CONSUMER CONFERENCE ON COPPER LATER THIS MONTH, CALLED BY UNCTAD. WE HAVE BUDGETED DOLLARS FIVE MILLION AS OUR CONTRIBUTION TO THE UN REVOLVING FUND FOR MINERAL EXPLO- RATION AND AWAIT CONGRESSIONAL AUTHORIZATION AND APPRO- PRIATION. THE WORLD BANK GROUP IS GIVING FAVORABLE

CONSIDERATION TO OUR PROPOSAL TO INCREASE THEIR PARTICI- PATION IN MINERALS DEVELOPMENT TO HELP ASSURE A GROWING SUPPLY OF CRITICAL RAW MATERIALS.

5. CAPITAL. WE EXPECT AGREEMENT SHORTLY ON THE FIVEFOLD INCREASE WE PROPOSED IN THE CAPITALIZATION OF THE INTER- NATIONAL FINANCE CORPORATION--THE WORLD BANK'S AFFILIATE WHICH PROMOTES PRIVATE ENTERPRISE IN LDCS. THIS SUB- STANTIAL INCREASE IN RESOURCES WILL ENABLE IFC TO EXPAND ITS ACTIVITIES IN DEVELOPING COUNTRIES, INCLUDING IN- CREASED INVESTMENT IN MINERAL DEVELOPMENT AND THE ESTABLISH- MENT AND MANAGEMENT OF AN INTERNATIONAL INVESTMENT TRUST, WHICH WE PROPOSED. REQUESTS FOR FUNDS FOR THE ASIAN, AFRICAN, AND LATIN AMERICAN REGIONAL BANKS ARE UNDER CON- sideration IN THE CONGRESS. WE ARE PARTICIPATING IN NEGOTIATIONS ON THE FIFTH REPLENISHMENT OF THE INTER- NATIONAL DEVELOPMENT ASSOCIATION, AND ON INCREASES IN THE ORDINARY CAPITAL OF THE WORLD BANK AND OF THE ASIAN DEVELOPMENT BANK.

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6. AGRICULTURAL DEVELOPMENT. CONGRESS HAS AUTHORIZED A US CONTRIBUTION OF DOLLARS 200 MILLION TO THE INTER- NATIONAL FUND FOR AGRICULTURAL DEVELOPMENT WITH CERTAIN PROVISOS. THE FUND WOULD PROVIDE CONCESSIONAL ASSISTANCE TO HELP POOR LDCS EXPAND THEIR FOOD PRODUCTION. DRAFT ARTICLES OF AGREEMENT ESTABLISHING THE FUND HAVE BEEN NEGOTIATED. WE EXPECT THE UN SECRETARY GENERAL TO SET A DATE FOR A PLENIPOTENTIARY CONFERENCE TO MAKE PLEDGES TO THE FUND AND ADOPT THE AGREEMENT. IT WILL BE OPEN FOR SIGNATURE AS SOON AS DOLLARS ONE BILLION HAVE BEEN PLEDGED. WE ARE LOOKING TO THE OIL-PRODUCING COUNTRIES TO PROVIDE CONTRIBUTIONS ROUGHLY EQUIVALENT TO THOSE OF THE OECD COUNTRIES.

7. TRADE. THE US GENERALIZED SYSTEM OF PREFERENCES WENT

INTO OPERATION ON JANUARY 1 AS PROMISED. IT COMPARES FAVORABLY WITH PREFERENCE SYSTEMS OF OTHER INDUSTRIAL COUNTRIES. IN THE TROPICAL PRODUCTS GROUP OF THE MTN, WE TABLED INDIVIDUAL TARIFF OFFERS TO 35 LDCS COVERING MORE THAN 140 PRODUCTS OF TRADE INTEREST TO THEM. THE VALUE OF US IMPORTS OF THESE PRODUCTS IN 1974 WAS ALMOST DOLLARS ONE BILLION, PRIMARILY FROM LDCS. WE ARE PURSUING OUR OTHER TRADE PROPOSALS--TO REDUCE QUOTE TARIFF ESCALATION UNQUOTE AND TO PROVIDE QUOTE SPECIAL AND DIFFERENTIAL TREATMENT UNQUOTE IN THE RULES GOVERNING NON-TARIFF BARRIERS--IN VARIOUS MTN GROUPS.

8. WE WILL CONTINUE TO PROMOTE THE IMPLEMENTATION OF THE SECRETARY'S PROPOSALS IN ALL APPROPRIATE FORUMS. AT THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION IN PARIS

IN DECEMBER THE SECRETARY REITERATED HIS PROPOSALS, AND WE EXPECT MANY OF THEM TO BE CONSIDERED IN THE DIALOGUE NOW UNDERWAY IN THE FOUR COMMISSIONS ON ENERGY, RAW MATERIALS, DEVELOPMENT AND FINANCE THAT CIEC HAS LAUNCHED. KISSINGER

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